



News to Use

A newsletter for PERSI Employers

March 2000

- Sample gains sharing payments
- Legislative update

Legislative Update - more bills added to improve PERSI plan options

HB 510 – Gains sharing: Would add a Defined Contribution component to PERSI funded by “gains sharing” and voluntary employee contributions. Employers, members and retirees would all receive gains sharing distributions. ***Status:*** Passed the House 2-15-2000 on a 69-0-1 vote. On 3-7-2000 it was unanimously sent out of the Senate Committee with a "do pass" recommendation.

HB 511 – Benefit Formula Multiplier: Would raise the formula multiplier from 1.917% (2.225%) to 2.0% (2.3%) increasing retirement benefits about 4.3%. ***Status:*** Passed the House 2-15-2000 on a 40-28-2 vote. On 3-7-2000 it was sent out of the Senate Committee with a "do pass" recommendation (6-2 vote).

HCR 37 – Funding Stability: This is a Resolution affirming 100% funding of PERSI plus a reserve. ***Status:*** Passed the House 2-15-2000 on a 66-0-4 vote. Passed the Senate unanimously on 2-28-2000.

HB 401 – PERSI Technical Corrections: ***Status:*** Passed the House 2-4-2000 on a 65-0-5 vote. Passed the Senate 2-24-2000 on a 35-0-5 vote. Signed by the Governor 3-3-2000.

HB 402 – Voluntary Unused Sick Leave: Allows local governments to have an Unused Sick Leave program similar to the State and School programs on a voluntary basis. ***Status:*** Passed the House 2-3-2000 on a 68-0-2 vote. Passed the Senate 2-24-2000 on a 35-0-5 vote. Signed by the Governor 3-6-2000.

SB 1404 – Disability: Allows active members to be eligible for disability retirement after five years of membership service (currently 10 years required). Also allows general members to receive disability from the first day on the job if the disability is due to occupational causes. ***Status:*** Passed the Senate with a vote of 34-0-1 on 3-3-2000. On 3-9-2000 it was sent out of House committee with "do pass" recommendation.

SB 1390 – Unused Sick Leave for State Employees: Increases to 600 hours the maximum unused sick leave that may be used to determine the monetary value of unused sick leave for retirement purposes. ***Status:*** Passed the Senate 3-3-2000 on a 34-0-1 vote. On 3-9-2000 it was sent out of House committee with "do pass" recommendation.

HB 593 – Purchase of FRF Layoff Time: Allows FRF members who were laid off between 1978 and 1981 to purchase the service toward retirement. ***Status:*** Passed the House 2-24-2000 on a 59-0-11 vote. Awaiting hearing in the Senate.

HB 657 – Purchase of Military Service: Allows members to purchase four years of military service toward retirement. ***Status:*** Passed the House 3-8-2000 on a 67-0-3 vote. Awaiting hearing in the Senate.

HB 717 - Purchase of Service: Allows active, vested members to purchase up to four years of service toward retirement. ***Status:*** Awaiting hearing in the House Commerce/Human Resource Committee.

Gains sharing payments estimated

Over the past month, we have received a lot of phone calls from PERSI members wanting to learn more about the gains sharing legislation. One of the most common questions, is "How much will I get?" Employers want to know, "How much will we get?" We've run some calculations and have come up with the estimated payments shown on the chart below.

One thing to keep in mind when anticipating gains sharing for this upcoming year: If the bill to increase the benefit formula multiplier to 2% passes, PERSI will have a \$150 million liability, and therefore, our investments must earn about 11% this year for gains sharing to occur.

Sample Gains Sharing Payments											
Assumptions:		Assumed Assets	\$6,450,932,812	PERSI must earn at least 8% on investments each year to maintain an adequate funding level. Any returns above 8% may be distributed to members and employers through gains sharing.							
		Required Return	8%								
ACTIVE MEMBERS											
Employee % of total gains		38%		Active members will receive 38% of the TOTAL gains sharing amount. It will be distributed to members based on the amount of your PERSI account balance.							
Total Employee Acct Balances		\$1,226,280,742		Employers will receive 50%, and retirees will receive 12%.							
To use this chart:				A find PERSI's total return for the year B find the total amount in your PERSI account C follow the column from 1 down, and the row from 2 across until they meet Examples: A) 11% plus B) \$30,000 = \$1,799 A) 10% plus B) \$70,000 = \$2,799							
(A) Total Return	Over Required Return	Total Amount of Excess Gains	Active Member Allocation of Gains	(B) If Your PERSI Account Balance is This Much							
				\$10,000	\$ 20,000	\$ 30,000	\$ 40,000	\$ 50,000	\$ 60,000	\$ 70,000	\$ 80,000
(C) Your Gains Sharing May Be This Much											
9%	1%	\$ 64,509,328	\$ 24,513,545	\$ 200	\$ 400	\$ 600	\$ 800	\$ 1,000	\$ 1,199	\$ 1,399	\$ 1,599
10%	2%	129,018,656	49,027,089	400	800	1,199	1,599	1,999	2,399	2,799	3,198
11%	3%	193,527,984	73,540,634	600	1,199	1,799	2,399	2,999	3,598	4,198	4,798
12%	4%	258,037,312	98,054,179	800	1,599	2,399	3,198	3,998	4,798	5,597	6,397
13%	5%	322,546,641	122,567,723	1,000	1,999	2,999	3,998	4,998	5,997	6,997	7,996
14%	6%	387,055,969	147,081,268	1,199	2,399	3,598	4,798	5,997	7,196	8,396	9,595
15%	7%	451,565,297	171,594,813	1,399	2,799	4,198	5,597	6,997	8,396	9,795	11,194
16%	8%	516,074,625	196,108,357	1,599	3,198	4,798	6,397	7,996	9,595	11,194	12,794
17%	9%	580,583,953	220,621,902	1,799	3,598	5,397	7,196	8,996	10,795	12,594	14,393
18%	10%	645,093,281	245,135,447	1,999	3,998	5,997	7,996	9,995	11,994	13,993	15,992
EMPLOYERS											
Employer % of total gains		50%		Employers will receive 50% of the TOTAL gains sharing amount. It will be credited against future contributions. Active members will receive 38% of the total, and retirees will receive 12%.							
Total ER Contributions in a year		\$ 181,659,637									
To use this chart:				A find PERSI's total return for the year B find the total amount in your PERSI account C follow the column from 1 down, and the row from 2 across until they meet Examples: A) 12% plus B) \$1 mil = \$710,222 A) 10% plus B) \$40 mil = \$14,204,438							
(A) Total Return	Over Required Return	Total of Excess Gains	Employer Allocation of Gains	(B) If an Employer's Annual Contributions are This Much							
				\$ 50,000	\$ 500,000	\$ 1 million	\$10 million	\$20 million	\$30 million	\$40 million	\$50 million
(C) Their Gains Sharing May Be This Much											
9%	1%	\$ 64,509,328	\$ 32,254,664	\$ 8,878	\$ 88,778	177,555	1,775,555	3,551,110	5,326,664	7,102,219	8,877,774
10%	2%	129,018,656	64,509,328	17,756	177,555	355,111	3,551,110	7,102,219	10,653,329	14,204,438	17,755,548
11%	3%	193,527,984	96,763,992	26,633	266,333	532,666	5,326,664	10,653,329	15,979,993	21,306,658	26,633,322
12%	4%	258,037,312	129,018,656	35,511	355,111	710,222	7,102,219	14,204,438	21,306,658	28,408,877	35,511,096
13%	5%	322,546,641	161,273,320	44,389	443,889	887,777	8,877,774	17,755,548	26,633,322	35,511,096	44,388,870
14%	6%	387,055,969	193,527,984	53,267	532,666	1,065,333	10,653,329	21,306,658	31,959,986	42,613,315	53,266,644
15%	7%	451,565,297	225,782,648	62,144	621,444	1,242,888	12,428,884	24,857,767	37,286,651	49,715,534	62,144,418
16%	8%	516,074,625	258,037,312	71,022	710,222	1,420,444	14,204,438	28,408,877	42,613,315	56,817,754	71,022,192
17%	9%	580,583,953	290,291,977	79,900	799,000	1,597,999	15,979,993	31,959,986	47,939,980	63,919,973	79,899,966
18%	10%	645,093,281	322,546,641	88,778	887,777	1,775,555	17,755,548	35,511,096	53,266,644	71,022,192	88,777,740